

**Initial Competitive Response****Media One**

Communities: Canton, Plymouth, Plymouth Township, Northville, Northville Township, Michigan

- Upgraded cable system to 750 MHz hybrid fiber-coaxial cable (HFC)
  - Added 20 Channels, while lowering Expanded Basic tier (EB) price to \$21.59/month.
- Introduced upgraded converter box with Interactive Programming Guide (IPG)
- Moved Disney and PASS (a regional sports network) to EB tier from premium service - Previous fee was \$9.69/month for Disney and \$11.95/month for PASS.
- Lowered monthly EB tier prices in all areas:
 

	From	To
- Northville	\$21.79	\$21.59
- Canton	\$21.60	\$21.59
- Plymouth	\$21.70	\$21.59
- Plymouth Twp	\$21.63	\$21.59
- Northville Twp	\$21.75	\$21.59
- Introduced "Continental Rewards" Promotion - One Year Contract
  - Choice between receiving \$5 off monthly cable bill or
  - Free HBO (Fee of \$9.95/month)
- Introduced Value Packaging
  - Best Value Package - EB, Equipment with IPG, HBO, HBO 2, and HBO 3, Encore/Starz, Cinemax 2, Franchise Fees, Independent Film Channel, fxM, Music Choice, 12 pay-per-view (PPV) coupons. **For \$49.95/month, \$39.95/month with Continental Rewards Contract.**
  - Value Pack - EB, Equipment with IPG, HBO, HBO 2, and HBO 3, Encore/Starz, fxM, Independent Film Channel, Franchise Fees, 6 PPV Coupons. **For \$39.95/month, \$29.95/month with Continental Rewards Contract.**
- Introduced cable modem service

**Jones Intercable, Jones Spacelink**

Communities: Naperville and Glen Ellyn, Illinois

- Moved Disney to EB tier. Fee was \$6.95/month
- Launched public relations campaign positioning themselves as "New Cable Company" in town
- Rolls out one year contract giving customers discounts on EB tier (promotional price of \$19.89/month vs. regular price of \$23.87/month.)

Long term premium promotion offering customers 2 premiums for \$10/month, 4 premiums for \$20/month (normally \$10.95/month each)

**Cablevision Systems**

Communities: Berea, North Olmsted, Ohio

- Upgraded cable system to 750 MHz HFC
  - Added 20 Channels
- Introduced upgraded converter box with IPG
- Moved Disney and Sports Channel Ohio to EB. Fee was \$10.45/month for Disney and \$1.95 for Sports Channel
- Decreased prices on premium services. (From \$11.00/month for all premiums to a range of \$6.95 - \$9.95/month)
- Offered six month FREE preview of 19 new channels - maintained EB price at approximately \$19.73/month for 63 channels
- Offered the Tyson/Holyfield fight for free in Berea and North Olmsted. Regular price for all other customers - \$49.95/month

**Comcast Communications**

Communities: Fraser, Garden City, Southgate, Sterling Heights, St. Clair Shores, Clinton Township, Michigan

- Upgraded cable system to 750 MHz HFC
  - Added up to 40 channels
- Introduced upgraded converter box with IPG
- Moved Disney and PASS to EB tier.
- Introduced "Club Comcast" Promotion - One Year Contract
  - Rate guarantee and \$3 off monthly EB tier price:
 

	Regular	w/Club Comcast
• Southgate	\$22.56	\$19.56
• Fraser	\$22.37	\$19.37
• Garden City	\$22.79	\$19.79
- Pledged to meet or beat any offer from a wired cable provider for similar services
- Launched win-back campaign: FREE HBO for one year - Normal charge of \$12.95/month
- Beta testing cable modem service

**Time Warner (Chicago DMA)**

Communities: Glendale Heights, Illinois

- Upgraded cable system prior to ANM entry
- Introduced upgraded converter box with IPG
- Launched the Time Warner Difference Plan in which customers can choose from a 6 month or 12 month agreement.
  - 6 Month Agreement - 1/2 price for the sixth month
  - 12 Month Agreement - 12th month free
  - Either agreement includes:
    - Free converter and remote for the duration of the agreement.
    - Coupon Book worth \$200 towards area merchants

**Time Warner (Columbus DMA)**

Communities: Columbus, Upper Arlington, Worthington, Ohio

- Upgraded cable system to 750 MHz
  - Added 6 channels
- Introduced upgraded converter box with IPG
- Moved Disney to EB tier. Fee was \$11.50/month
- Decreased prices in all areas (from \$28.58 to \$26.95/month)
- Changed from a franchise based pricing system to a standard pricing system only in areas where ANM is present
- Launched "President's Club" loyalty program - one year contract with the following benefits:
  - \$2 off monthly cable bill or
  - One Free premium (\$10.00/month cost)
- Announced launch of cable modem service

**Time Warner (Detroit DMA)**

Communities: Wayne, Michigan

- Upgraded cable system to 750 MHz HFC
- Added 17 Channels to line-up
- Moved Disney and PASS to EB tier from premium service - monthly fee was \$11.45 for Disney and \$13.45 for PASS
- Lowered monthly price of EB tier, Premiums, and Remote/Converter

	OLD	NEW
Expanded Basic	\$23.95	\$22.81
Premium	\$12.45	\$9.95
Remote/Converter	\$3.37	\$2.95

- Launched the Extra Value Club, a retention campaign with two plans for subscribers who commit to basic cable for one year to choose from:
  - Plan A - 1/2 off first month, 1/2 off seventh month, and the thirteenth month for free.
  - Plan B - Free Cinemax for one year, no charge for converter and remote.

**TCI**

Communities: Lincoln Park, Troy, Michigan

- Moved Disney and PASS to EB tier.
  - Monthly Disney and PASS were:

	Disney	PASS
Troy	\$10.45	\$12.95
Lincoln Park	\$10.90	\$10.90

- Offered customers a six month discounted promotional monthly price for EB tier:

	Prior Price	Promotional Price
Troy	\$28.08	\$23.95
Lincoln Park	\$25.28	\$23.95

**Coaxial Communications**

Communities: Columbus, Ohio

- Upgraded cable system to 750 MHz
  - Moved Disney and Turner Classic Movies to EB tier. Monthly fee was \$6.95 for Disney and \$11.95 for TCM.
  - Added 6 new channels to EB tier, 1 new premium channel
  - Eliminated need for converter box for EB (Savings of \$1.73/month)
  - Lowered EB tier prices for those areas where ANM is present (From \$28.40 to \$26.40/month)
  - Launched public relations campaign to point out benefits of staying with Coaxial as opposed to switching to americast
- Various win-back campaigns offering FREE/discounted service



## BACKTALK

# Cable's Game of Chicken

**T**he cable industry is playing a dicey game of "chicken," boldly raising its rates in the double-digit stratosphere, gambling that local consumer groups and regulators won't retaliate given the new spirit, if you will, of the 1996 Telecommunications Act.

If that sounds a little strident, think about this for a minute. In the past several months, just about every week some local newspaper has had a prominently placed feature on rising cable rates. Those articles quote municipal officials threatening to call for boycotts of a particular cable system, slow down franchise renewal requests or, worst yet, file appeals with the Federal Communications Commission.

We know it's becoming more widespread, too, given all the local stories from the clipping services we subscribe to for consumer cable stories, as well as those we glean from our own news-gathering efforts.

And the picture that is beginning to develop across the country is starting to look an awful lot like the one of cable in the early '90s, when rising rates nationwide led to the punitive enactment of the 1992 Cable Act.

But last week's page-one *Washington Post* article on rising cable rates in Montgomery County — the stomping grounds of the very same people who enacted the 1992 Cable Act, which crimped the industry's ability to raise rates back then — should give cable operators cause for pause.

We're not alone in saying that, given the measured but firm response to that piece from Decker Anstrom, president of the National Cable Television Association, last week.

"We're inviting serious political problems with double-digit price increases," Anstrom said, reiterating what he has been saying for the past three years in his role as head of the



By MARIANNE PASKOWSKI

industry's major lobbying group.

"If we're not careful, it will be Yogi Berra and 'déjà vu' all over again" time," he stressed.

Anstrom, like any savvy businessman, recognizes that operators are indeed faced with rising programming costs on top of the extremely expensive rebuilds under way to one day deliver digital offerings that will make cable more likely to survive competitive skirmishes in the future.

And if cable operators give their subscribers new channels and services and take pains to explain the cost increases, the damage should be minimal.

But when the cable systems serving subscribers in the government's own back yard start uniformly jamming double-digit rate increases, the likelihood for regulatory whiplash increases, we think.

Last week *The Washington Post* reported that Montgomery County executive Douglas M. Duncan would file an appeal with the FCC, opposing a 9.5 percent rate increase that would raise cable TV bills \$3 a month this July for

nearly all of the county's 210,000 subscribers. The system is Cable TV Montgomery, which is owned by SBC Communications Corp., the parent company of Southwestern Bell Corp., which also owns Cable TV Arlington.

But it's not the only cable system upping the ante in Washington. The *Washington Post* article recounted hikes by a host of other systems, including Jones Communications, which had raised its rates by 7.7 percent in February, and District Cablevision in Washington this month announced a 14 percent hike.

That litany of increases — which, remember, appeared on page one in that prominent newspaper serving the nation's capital — went on with more reports of hikes in Arlington, Va., where cable subscribers will see a 12.8 percent increase, while customers in Prince William will get socked with a 19.3 percent rise.

No wonder Anstrom is worried, especially because those kinds of reports in market after market can lead to troublesome congressional inquiries that might build momentum.

But perhaps what's more worrisome is that few congressmen would hazard to guess, saw our story last week about Ameritech dropping its rates \$3 a month in Sterling Heights, Mich., leading the cable operator there, Comcast Corp., to match the telco's new rates. (See "Ameritech Drops Rates In Michigan System," May 19, 1997, page 3.)

That's a story that critics of the 1996 Telecommunications Act need to see, especially Sen. John McCain (R-Ariz.), who maintains that the whole act is bogus and has only resulted in rising cable and phone rates that continue to soar.

So clip it out and send it to McCain, and maybe he'll realize that the creation of competition is evolutionary, not revolutionary.



**You'll** probably be approached by a company from Chicago telling you about the great cable service they can offer. Before they ask you to make a switch, we at **Cox Cable** want you to know all the facts. Read on... we want you to decide.



Do they carry the popular **TV Land**, **MSNBC** and **FX** with the **Major League Baseball Game of the Week**?

**Cox** does! These channels are exclusive to **Cox**!

You also won't find **Animal Planet**, **EWTN**, **Outdoor Life**, **Speedvision**, **Scion** or **HBO Family** in their lineup. In fact, **Cox** already has more programming services and operating channels than that Chicago company.



Will they pay you if they arrive late to an installation or service appointment?

**Cox** will!

We instituted **two-hour appointment windows** and an **on-time service guarantee** more than two years ago. If we're late, we pay you \$20.00!



Do they have a **senior citizen discount**?

**Cox** does!

Senior citizens that have a Golden Buckeye Card and choose **Cox Long Distance Service** will enjoy a \$2.00 discount on their monthly cable service plus an additional 10% off **Cox Long Distance Service** which matches the best two long distance plans available.



Do they offer a **local business office** and **personalized customer care from local people** to answer your questions or concerns?

**Cox** does!

**They have no local business office** and you call Chicago for answers to your questions.



Do they offer **local programming** featuring the good things happening in **Fairview Park**?

**Cox** does!

We are committed to your community.



Do they offer **high-speed cable modem internet access service** with preferred rates to its cable customers?

**Cox** plans to launch its service this year!

Their CEO has stated that they are not interested in launching this service.



Do they have an optional **weekly programming guide** offering timely, up-to-date information on Standard, Premium and Pay-per-view services?

**Cox** does!

**They have a monthly optional guide.**

Please call us if you have a question... **676-8100**

That's why **Cox** advises "CAUTION"!

Once you are aware of all these differences, between the **only** company from Chicago and **Cox Cable**, a "full service" cable provider, we believe you will agree that your current **Cox Service is the best value in cable TV.**

**COX**  
COMMUNICATIONS

IREWS OFFICE PRODUCTS CAPITOL HEIGHTS, MD (K)



## PROGRAMMING BRIEFS

**NEW YORK** — CBS *Eye on People* said the network will be available to cable operators on a terrestrial-exclusive basis, which means that it will be available to satellite services, but not to telephone or wireless distributors that compete with cable operators.

The network also announced the programs that will make up its primetime lineup when the channel debuts March 31.

The one-hour *Against the Law* will be a nightly series of behind-the-scenes stories about the criminal-justice system. *I Remember*, a one-hour, weekly series, will examine pivotal events through the eyes of CBS News correspondents.

*Eyewitness*, a weekly cinema-vérité-style series, will feature stories from a team of young video journalists armed with digital camcorders. Weekly one-hour

program *Fast Forward* will remind viewers of the famous and not-so-famous people that were once in the headlines. *Signature* will be a weekly hour consisting of a conversation with a provocative guest.

In addition, *Eye on People* will package reruns of *60 Minutes* into a nightly series called *60 Minutes More*. Today's *People* will be a live program focusing on the stories behind the people

in the day's headlines. And *Underfire*, a weekly hour, will focus on war as seen through the eyes of those who reported on and participated in the great conflicts of our time.

The network also announced that its production center will be located in New York at 514 West 57th St., adjacent to the CBS Broadcast Center, and that 70 additional people will be hired to work on the network.



**HEY, HEY, IT'S THE MONKEES:** The Disney Channel will present a retrospective of 1960s TV/pop group The Monkees Jan. 22.

**BURBANK, CALIF.** — The Disney Channel will bring the music of 1960s group The Monkees to a new generation when the network debuts *Hey, Hey We're The Monkees*, a retrospective of the band's career, Jan. 22 at 8:30 p.m.

The show will feature interviews with the four members of The Monkees, and it will include clips from their hit television series. It will also feature concert footage from the group's tours, including hits such as "Last Train to Clarksville," "Daydream Believer," "I'm a Believer" and "Pleasant Valley Sunday."

**WOODBURY, N.Y.** — On Valentine's Day, Feb. 14, *American Movie Classics* and sister network

See The Media World's Top Groups  
Battle Against Hunger!

**The Fourth Annual  
MEDIA BATTLE  
OF  
THE BANDS**

Benefiting Citymeals-on-Wheels



# As Wall Street Groans, A Cable Dynasty Grows

## Investors Fear Big Debts. Consumers Fear Higher Prices.

By GERALDINE FABRIKANT

**L**AST week, Charles F. Dolan, the founder and chairman of the Cablevision Systems Corporation, had to bite his tongue as he listened in calls to the customer service department. "I know your boss just bought Madison Square Garden," grumbled a cable subscriber who said he had been overbilled. "But I'm not helping him pay for it."

That customer joined a long list of people who are unhappy with Chuck Dolan. Sports junkies fear that the notoriously tough-minded 70-year-old entrepreneur will raise ticket prices at the Garden and nudge up fees for the MSG cable network and Sportschannel New York. He is under pressure to do so to help finance the \$650 million purchase of the 50 percent of Madison Square Garden that Cablevision did not already own. That acquisition from the ITT Corporation will give Cablevision full ownership of the Knicks and Rangers sports teams and of the MSG cable network, as well as of the arena itself. Coupled with the cable rights it already has to five major New York area professional teams — the Yankees, Mets,

Devils, Nets and Islanders — Cablevision has become the uncontested powerhouse of television sports.

But even squeezing more money out of fans would do little to pacify angry investors in Cablevision, the nation's sixth-largest cable operator, with 2.8 million subscribers, which also owns a host of cable news, sports and entertainment programming.

Many stockholders believe Cablevision, based on Long Island, had too much debt — \$3.1 billion plus an additional \$1.5 billion in preferred stock — even before the latest deal.

They are also unhappy with the company's unending string of losses, which have widened every year since 1993. On Friday, Cablevision's stock closed at \$29, near its 52-week low of \$25 a share in November.

Perceptions have certainly changed in just four years. In 1993, Mr. Dolan was a hero, the visionary who had given the cable world the wildly successful Home Box Office, and the king of packaging who had a magic touch for concocting lucrative programming combinations. As the entrepreneur pushed to build assets, though at the expense of earnings, Cablevision stock jumped to \$72 a share because of infatuation

with cable in general and the rumors of a possible buyout by Time Warner and U.S. West.

Those days of glory are over. No longer hailed as a prophet, Mr. Dolan is under pressure to act more like a pragmatist. Stockholders are urging him to unload some assets instead of endlessly looking for new acquisitions, and to bring in equity partners instead of slogging ahead on his own.

Although Mr. Dolan took Cablevision, the company he founded in 1973, public in 1986 at \$14.50 a share, he still runs it like a fief. He has anointed his youngest son, James, as his heir apparent. And he has installed his two other sons, a nephew and a son-in-law in senior management posts and has given his wife's sister a post, too. Mr. Dolan, his wife and their six children own 45 percent of Cablevision stock, worth \$339.3 million, and exercise 90 percent of the voting rights. Last year, he and his son Jim each earned a little over \$1 million. Mr. Dolan collects \$5.6 million annually in preferred dividends, and, at the end of this year, the company may have to give him a one-time payment of \$150 million, the final lagniappe on the New York City cable system that Mr. Dolan sold

Continued on Page 8

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THE NEW YORK TIMES, SUNDAY, APRIL 27, 1997

# Wall Street Groans, But a Dynasty Grows

Continued From Page 1  
to Cablevision years ago.

Media analysts and family business experts, moreover, doubt that he will ever relax his grip on the company's affairs. He has steadfastly refused to dilute his family's voting stake, not only turning down the reported Time Warner-U.S. West bid but also a rumored offer from the GTE Corporation.

Cablevision, which reported revenue of \$1.3 billion and a loss of \$332.1 million in 1996, also retained a board composed primarily of current and former employees, and never seriously entertained the possibility of promoting outsiders to control of the company's destiny.

"In the long run, you cannot run a company where the owner assumes divinity for his actions," said Leon A. Danco, who heads the Center for Family Business in Cleveland. Cablevision "is a private company masquerading as a public company," he added. "Generally, the founder's mentality is that this is his company."

**M**R. DOLAN declines to confirm specific bids, saying only that "every offer had an overhang of one sort or another."

Still, Gordon Crawford, senior vice president of Capital Research and Management, whose mutual funds own 1.5 million class A shares of the company, worth \$43.5 million, is fuming. "This company has great assets, but it has not been run for shareholder-

makes it a much more important company."

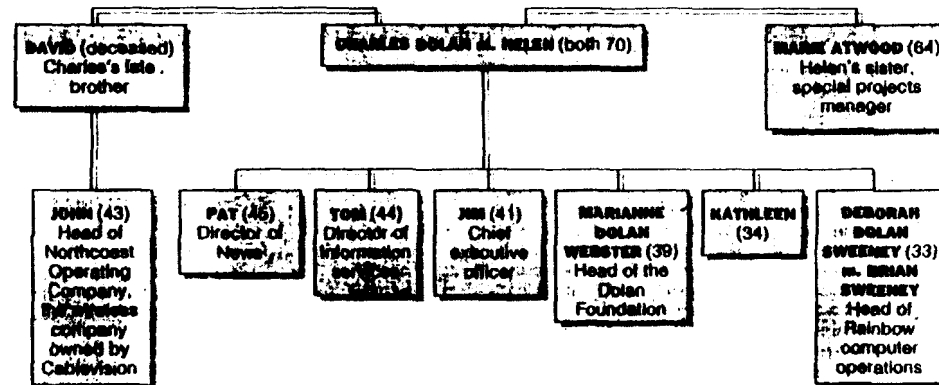
Mr. Dolan is convinced that his new virtual monopoly over so many sporting events will reward the company with endless new opportunities to make money. For one thing, consumer demand is almost bottomless, as Stanley Jaffe, the former president of Paramount Communications, which used to own the Garden, attests. "The Rangers have sold out since my bar mitzvah," Mr. Jaffe, 38, said. "I have long since given up guessing what people will pay for sports rights."

After all, when ITT and Cablevision bought the Garden in August 1994 for \$1.05 billion, both were criticized for overpaying. And yet, only two and a half years later, ITT could gloat that it had sold its half back to Cablevision at a \$125 million profit.

Mr. Dolan is not forecasting price increases at the Garden or for cable services. Instead, he says, as channel capacity increases, he wants to sell games "a la carte," with customers picking and choosing among a huge number of menu combinations. "It would work exactly like the box office," he said. "You would decide what teams you like and, having decided, you would choose whether to go one game at a time, buy a season ticket or select the teams and the games that you wanted."

But starting new channels and changing price schedules takes time and depends on audience response, and it is not likely to generate the \$1.5

## The Dolans



have roughly 475,000 of his company's 7.8 million cable subscribers in states like Maine and Michigan. But, while such a move could raise up to \$1 billion, or about \$2,100 a subscriber, analysts say that is not enough to restore the balance sheet's health because the company will lose cash flow at the same time. And they fret that Mr. Dolan is simply paying lip service to the notion of reorganizing the company.

According to Mr. Sandler of Sandler Capital Management, which has sold 800,000 of its one million shares over the last three years, "Selling cable systems is a fix, but it is not the big fix."

The big fix would mean attracting investors in either the parent company, or in Rainbow Programming, Ca-

NBC already owns 25 percent of Rainbow, and other companies — including, reportedly, both Walt Disney, parent of ESPN, the national sports cable service, and Fox Sports, a joint venture of the News Corporation and Liberty Media, which owns regional sports services across the country — are talking to Cablevision about investments.

But while Mr. Dolan is apparently willing to listen to proposals, it is unlikely that any investor would pay a premium price — always demanded by him — without getting at least some control. And Mr. Dolan has given little indication that he would be willing to relinquish even a jot of power to outsiders. On the contrary, the patriarch is clearly grooming his children to take over. "The family has grown up with this business," he

and his son be photographed together for this article.)

Both men deal forthrightly with the battle that Jim Dolan fought against alcoholism — a battle that they say he has won. "If everybody in the industry who has had problems were disqualified, there would be a lot of vacancies around," the elder Mr. Dolan said. "I think Jim is in great shape." His son, who was treated four years ago at a Hazelden Foundation center, said his ordeal had actually strengthened him. "I am a better person for it," he said.

When Chuck Dolan describes the domains carved out in the company for the males of the next generation, he sounds almost like an army general marshaling his forces. "Jim is the happy generalist," he said. "Pat is news," he added, referring to the

that his family retains control even after he and his wife die that he has structured his estate so that it can sell stock to pay estate taxes without losing control of the company. Often, families have to sell so much stock in their businesses to pay those taxes that they do lose control of their companies.

**I**N his drive to protect his assets, Mr. Dolan is equally aggressive.

In 1988, for example, when Sportschannel was trying to snag the rights to Yankee games from its then rival, the Madison Square Garden Cable Network, Cablevision stopped carrying MSG on its cable system during negotiations. Mr. Dolan said he acted because his company's contract with MSG was also up for renegotiation. However, a person familiar with the situation at the time argued that he took the MSG off his systems to reduce its appeal to the Yankees.

More recently, Classic Sports Network, based in New York and owned by a consortium of investors, complained to the Federal Communications Commission that Cablevision was demanding a chance to buy a stake in the company in exchange for running its programs. Mr. Dolan denied the accusation. The dispute has not been resolved.

**E**ven now Cablevision is moving to circumvent a Federal requirement to share sports programming delivered by satellite with rivals in New York City. The law does not apply to programming services delivered by cable land lines, so the company is busily laying fiber-optic cables so it can switch its method of transmission.

**B**UT it will take more than hard-

ers," he said. "It has been run for the family. It remains inappropriately leveraged and is a frustrating disappointment for all its investors."

Mr. Dolan contends that he is already responding to Wall Street with major changes. But in a lengthy interview at the company's sprawling headquarters in a business park in Woodbury, N.Y., he was vague about what those changes were, speaking in generalities about what might be done — someday. "People want us to deleverage," he said. "I think we have more opportunity today. We can go to the public; we have the possibility of partnerships. We have the possibility of partners at different levels. We have always wanted that. I will predict that you will see developments in that direction."

Right now, though, Mr. Dolan's mind seems to be focused in the direction of 33d Street and Seventh Avenue in Manhattan. And he can't quite hide his frustration at the lukewarm Wall Street reaction to his acquisition of Madison Square Garden. In one fell swoop, after all, he locked up control of the nation's most famous sports arena and of cable rights to both baseball teams, both basketball teams, the three hockey teams and both major sports channels in the New York metropolitan area. Only the Jets and the Giants football teams have eluded his grasp.

"The reaction is not, 'Is this a good idea?'" Mr. Dolan lamented, referring to Mr. Crawford's criticism of the Madison Square Garden deal. "The reaction is, 'Chuck spends money like he had it.'"

Not exactly. One money manager who lightened his stake before the Garden purchase because of the company's huge debt thinks Mr. Dolan could have the last laugh. "This transaction makes the balance sheet more messy," said the manager, Andrew Sandler of Sandler Capital Management. "But what it does is give him a strategic asset that

dition of so in new equity that some Wall Street professionals believe is necessary to heal Cablevision's balance sheet.

To reassure his investors, Mr. Dolan has promised to sell systems that

Cablevision's programming division that owns not only SportsChannel New York and MSG, but a host of regional sports services, five local news services and cable services like American Movie Classics and Bravo.

#### AT A GLANCE

### Cablevision Systems

Woodbury, N.Y.

Sixth-largest operator of cable TV systems, with units in New York City, Long Island, Boston, Cleveland and elsewhere. Company also produces the American Movie Classics, Bravo, regional sports channels and local cable news services. Gradually acquiring the half of Madison Square Garden complex it did not already own, includes the New York Knicks basketball team and New York Rangers hockey team.

Employees 5,928

#### FINANCIAL INDICATORS

Friday's close \$29

52-week low, high \$25; \$52.875

Market capitalization\* \$716 million

1996 revenues \$1.32 billion

1996 loss \$332.1 million, or \$18.52 a share

Estimated 1997 loss, analysts' consensus \$16.62 a share

\*Values family-owned B shares (45% of company) at same price as publicly traded A shares

†As of Dec. 31, 1996, before completion of Madison Square Garden acquisition.

\$4th quarter 1996 at annual rate

"Debt plus preferred plus equity, marked to market

Source: Bloomberg Financial Markets



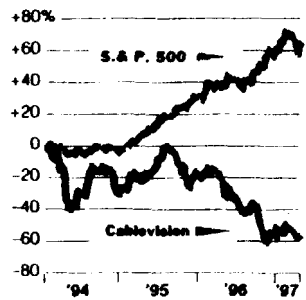
Long term debt†	\$3.1 billion
Preferred stock	\$1.5 billion
Equity	~\$2.3 billion
Common dividend	None
Cash flow\$	\$484 million
Total capital** to cash flow	
Cablevision	11
Industry averages:	
Cable operators	8
Programmers	11

#### THINGS TO WATCH

The company has lost \$2.3 billion over 10 years and is far from turning a profit; per-subscriber prices for cable systems have fallen; the company is likely to remain family-controlled for the foreseeable future

#### STOCK PRICE

Percentage change in Cablevision's stock price compared with the S & P 500-stock index.



said, speaking softly but very firmly. "Everybody has been involved with its ups and downs. It is a part of the family."

THE family remains very much under Mr. Dolan's thumb. On many weekday mornings, Mr. Dolan's 41-year-old son, Jim, makes the five-minute drive from his home to his parents' home in Oyster Bay, N.Y., to talk business with his father over coffee. "It is not unusual for me to end or begin my day at his house," Jim Dolan said last week in an interview. "And we talk about twice a day."

Mr. Dolan's dynastic inclinations would bother Wall Street less if Cablevision's finances were in better shape and if Jim Dolan commanded more respect in the industry. Although the younger Mr. Dolan has worked at Cablevision his entire career, he is considered something of a lightweight by his peers and Wall Street executives, although none would speak on the record, and is sometimes compared unfavorably to the well-respected Brian L. Roberts, the 38-year-old president of the rival Comcast Corporation and the son of its founder, Ralph J. Roberts. But Jim Dolan brushed off such criticism, saying that he was newer to the executive ranks and was still overshadowed by his father.

At industry meetings, news conferences and major negotiations, the older Mr. Dolan takes center stage. "Dad has more of a public persona than I do," Jim Dolan said. "I do the inside relations."

A year ago, Chuck Dolan told one reporter that when the pair disagree, "I let him run up and down until he cools off."

His son responded, "He still treats me like a 5-year-old." But last week, Jim Dolan said that "doesn't happen anymore."

(Sensitive to appearances, on Thursday, Mr. Dolan insisted that he

45-year-old son who runs the company's local cable news services. "Tom is information," he continued, describing his 44-year-old son's position as the head of Cablevision's computer operations. A son-in-law, Brian G. Sweeney, runs the computer operations at the programming division. And a nephew, John Dolan, runs the Northcoast Operating Company, a wireless phone company that has, with financing from Cablevision, acquired franchises for wireless phone services in areas where Cablevision has cable franchises.

There are quirks in the way Mr. Dolan has doled out power to his offspring. Tom is not on the board, and professes not to mind. "I have my plate full," he said. Pat, who is on the board, has done an impressive job at building the company's five local cable news services, although he shows little interest in moving up the executive ranks. And the youngest son, Jim, is the one among them who holds the highest corporate rank.

There is no indication that the father's approach has created any conflict in the Dolan clan, which also includes three daughters: MariAnne, who runs the family foundation, Kathleen and Deborah, who is married to Mr. Sweeney. All the children live close to their parents. Each was given an equal amount of stock in the company 20 years ago, and, Mr. Dolan said, "There has never been a divided vote of any kind."

Could the children vote against their father? "If the kids decided we were going crazy and they wanted to take over, maybe they could," Mr. Dolan said, smiling at the impossibility of it.

Given that the family seems to move lock step, it is no surprise to those who know the Dolans that they take annual vacations together. "We go wherever Dad decides to take us," Jim Dolan said.

Mr. Dolan is so intent on seeing

back in Cablevision. As in the rest of the industry, it is the company's programming side, not its cable-delivery capability, that whets investors' appetites. But Cablevision's programming division, Rainbow, is loaded with issues that make all the options problematic.

Selling a stake to the public would run into resistance because Rainbow, with so many costly local cable news channels, doesn't make much money. It also has a lot of debt. "It is probably worth about \$1 billion," one insider said. "But it carries \$1 billion in debt."

And even if Cablevision wanted to spin off Rainbow to existing shareholders, it could not do so because covenants in the parent company's bank debt and preferred stock forbid such a spinoff without a major capital infusion into Cablevision, believed to be about \$500 million.

Finally, even though ESPN and Fox are reportedly eager to own a piece of Rainbow because of its New York sports franchises, Mr. Dolan's penchant for control makes it questionable whether he would get a premium price without giving up some of his rights.

Some critics believe that one day sports teams will begin making their own deals directly with cable systems operators, undermining Cablevision's role as a programmer. But Mr. Dolan disagrees. In fact, he contends that the future belongs to people like him.

Although Mr. Dolan sold HBO to Time Inc. three years after he founded it, he uses it as a model for the industry. "When I was starting HBO, I was told by a man at Fox that everybody would make their deals directly with the cable systems and there wouldn't be any cable networks," he said. "He was totally wrong. The middle man does something. He produces financial order. He packages. It is a real role." □



Comcast Cable  
605 Wall Street  
Sterling Heights, MI 48312  
810 578-0467



April 28, 1987

East Lakeside Apartments  
43876 Freeway Drive  
Sterling Heights, MI 48313

RE: Comcast Cablevision Exclusive Agreement to Provide  
Cable Television Services at East Lakeside Apartments

Dear Sir:

It has come to our attention that you may be considering an agreement with Americast to provide cable television services to the above named complex you own.

In case you are unaware, Comcast has the exclusive right to provide cable television service to your property. Our agreement executed July 13, 1982, by the owner of the property, expresses that right and is "binding upon the parties, their successors or assigns." We trust you will find this information helpful and shall abide by the terms and conditions of this agreement.

We at Comcast value our long standing relationship and appreciate the opportunity to serve the residents who live within your complex. We look forward to continuing to provide your residents with state-of-the-art cable television programming, and many new products and services, well into the 21st century.

If you have any questions regarding this matter or need additional information, please contact me directly at (810) 978-3506.

Sincerely,

  
Karen A. Forster  
Comcast Development





WEGNER AND ASSOCIATES, P.C.  
ATTORNEYS AND COUNSELORS AT LAW  
2000 MACK AVENUE  
GROSSE POINTE WOODS, MICHIGAN 48334  
(313) 834-7210 FAX (313) 834-7210

WAYNE G. WEGNER  
SHANE A. DITTEL

Armeda Office  
2810 Main Street  
Armeda, MI 48003

May 9, 1997

Ms. Karen A. Feiger  
Comcast Cable  
6095 Wall Street  
Sterling Heights, MI 48312

Re: Park Place Condominium

Dear Ms. Feiger:

We represent Park Place Condominium Association, and are in receipt of your recent letters to Mr. Grady, the President of the Association. We have reviewed the Comcast Cablevision Agreement dated May 4, 1982, and can find no provision in that Agreement which grants Comcast the exclusive right to provide cable television service to the co-owners at Park Place. Therefore, it is our opinion that Park Place Condominium Association has the right to grant cable tv access to any other providers that it wishes.

If you have any questions, please call me.

Sincerely,

LS

Wayne G. Wegner

WGW/nrk

cc: Park Place Condominium Association

Comcast Cable  
8898 Wall Street  
Sterling Heights, MI 48312  
810 978-0657



May 5, 1997

Mr. Michael Grady  
Park Place Condominiums  
36519 Park Place Drive  
Sterling Heights, MI 48310

RE: Agreement to Provide Cable Television Services at Park  
Place Condominiums

Dear Mr. Grady:

As promised, enclosed please find a copy of the Cable  
Agreement for your review.

We at Comcast value our long standing relationship and  
appreciate the opportunity to serve the residents who live  
within your complex. We look forward to continuing to  
provide your residents with state-of-the-art cable  
television programming, and many new products and services,  
well into the 21st century.

If you have any questions regarding this matter or need  
additional information, please contact me directly at (810)  
978-3506.

Sincerely,



Karen A. Paiger  
Commercial Development

Comcast Cable  
6095 Wall Street  
Sterling Heights, MI 48312  
810 978-0467

ATTACHMENT 8 Page 3



May 19, 1997

Mr. Michael Grady  
36518 Park Place Drive  
Sterling Heights, MI 48310

RE: Park Place Condominiums  
Sterling Heights, Michigan

Dear Mr. Grady:

Enclosed please find a copy of the Right of Entry Agreement for your review.

It is my understanding that you are not interested in an exclusive agreement with Comcast at this time; however, we would like to continue to service you and your residents to the best of our ability. The attached agreement will allow us the access to provide cable service to our current Comcast subscribers.

You may reach me directly at (810) 978-3539, should you have any questions or concerns. I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads 'Michelle Kuhlman'.

Michelle Kuhlman  
MDU Coordinator



# A Sporting Chance To Be No. 1

## Murdoch, Malone Team Up to Take On ESPN With National Cable Sports Network

By Paul Farhi and Leonard Shapiro

Washington Post Staff Writers

**R**upert Murdoch has always longed to go head-to-head with ESPN for first place in the TV sports business. Now he may have assembled the team to do it.

Murdoch's company, News Corp., yesterday agreed to buy a share of nine regional cable sports channels as well as a portion of the New York Knicks and Rangers sports teams and Madison Square Garden from Cablevision Systems Corp. of New York.

With one stroke, News Corp. and its partner in the \$850 million purchase, cable giant Tele-Communications Inc., acquired the missing pieces needed to form a new national cable sports network.

To be called Fox Sports Net, the new network will showcase national sports, as ESPN does now, but also will maintain its regional flavor. During most hours of the day, the regional channels will continue to air home-town games, which often are more popular with viewers.

The network will have 18 regional cable sports channels under its direct control,  
See MURDOCH, C12, Col. 1

Wash. Post  
6/24/97  
C1

### THE SCOPE OF FOX SPORTS NET

Components of the new network will include: Rupert Murdoch's News Corp., cable's  
Tele-Communications Inc., and Cablevision Systems Corp.

Components of the new network will include:  
Media Holdings Inc.  
■ SportsChannel Chicago  
■ SportsChannel Florida (will keep its name)  
■ SportsChannel New England  
■ SportsChannel Pacific (the Bay Area)  
■ SportsChannel Philadelphia  
■ Prism  
■ SportsChannel Q102  
■ MSG Network (will keep its name; sister channel, SportsChannel New York)

Components of the new network will include:  
Liberty Networks  
■ Fox Sports Arizona  
■ Fox Sports Midwest  
■ Fox Sports Northwest  
■ Fox Sports Pittsburgh  
■ Fox Sports Rocky Mountain  
■ Fox Sports South  
■ Fox Sports Southwest  
■ Fox Sports West  
■ Fox Sports West 2

Some current affiliates of the existing Fox Sports Net, a regional network, will be included:

■ Home Team Sports  
■ Midwest Sports Channel

In addition, the expanded Fox Sports Net has regional rights to televise:

■ 17 NBA teams  
■ 12 NHL teams  
■ 20 Major League Baseball teams  
■ Games of 20 collegiate conferences such as The Atlantic Coast Conference and Big Ten.

SOURCES: Associated Press, staff reports

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MURDOCH, From C1

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plus non-owned "affiliates," such as the Home Team Sports channel in the Washington area.

Fox Sports Net will hold regional TV rights for 17 NBA teams, 12 professional hockey teams, 20 Major League Baseball teams, and 20 collegiate leagues, such as the Atlantic Coast Conference. Locally, Home Team Sports has rights to the Wizards (nee Bullets), Capitals and Orioles games.

In a one-on-one match, ESPN has the advantage of a combined potential audience of 71.1 million homes, compared with Fox Sports Net's 55 million households. ESPN's brand name is long-established among male viewers, particularly the young male viewers highly coveted by advertisers. Analysts estimate that ESPN, which is owned by Walt Disney Co., is worth more than \$5 billion, or roughly the value of CBS.

Nonetheless, the purchase of 40 percent of Cablevision's assets will make Murdoch and TCI's chief, John C. Malone, two of the most powerful figures in the sports television business. Their two companies have been methodically buying regional sports channels across the country, but until yesterday had lacked a presence in the populous New York and New England areas.

"You can now go to advertisers and say I can deliver you all these regions, you can sell nationally and locally, you can sell their sports newscasts," says one leading sports TV executive, who asked not to be identified. "It gives advertisers a lot of ways to go. . . . Now,

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essentially [Murdoch] has no competition in any of those regions.

ESPN welcomed the challenge. "Competition is nothing new to us," said ESPN spokesman Chris LaPlaca yesterday. "In fact, it's a good thing because it makes us better. If we continue to do what we do best, we'll continue to be successful."

A national cable sports network is just one part of the picture for Murdoch and Malone. By fitting it together with their broadcast, satellite and other cable networks, the two men will have achieved an unprecedented degree of "vertical integration"—the ability to create programs and distribute them simultaneously. The ability to showcase games over so many channels gives the two partners greater leverage in winning

future sports rights deals, said Abe Madkour, editor of Sports Business Daily, an industry newsletter.

The immediate beneficiaries of Murdoch's new network are likely to be professional athletes and team owners, who should reap even more money from TV fees as Fox competes with ESPN, Ted Turner's TBS and TNT channels and the major broadcast networks for rights deals. Both the NFL and NBA TV contracts are soon to come up for rebidding.

But ultimately fans could pay more for tickets, and cable customers could wind up with higher monthly bills as the inflated costs of televising sports are passed along by cable operators around the country. Montgomery County's cable operator, for example, explained its

CONT'D

recent decision to raise prices about 10 percent by citing the additional cost of carrying Home Team Sports.

Sports has been vital to Murdoch in building his television empire, which now spans five continents. His Fox broadcast network became a virtual equal with NBC, ABC and CBS overnight in 1992 when he purchased the broadcast rights to NFL games for \$1.6 billion. Fox now televises NFL, National Hockey League and Major League Baseball games; it also has a pending deal to purchase the Los Angeles Dodgers for \$350 million, which along with the Knicks would give Murdoch ownership of teams on both coasts.

Malone's TCI owns the cable systems serving about one of every five U.S. subscribers, including the District's sys-

tem. News Corp. recently joined TCI and other major cable firms to become a partner in the second-biggest satellite TV company, called Primestar Partners.

Hoping to block Murdoch and Malone, Disney sought to buy Cablevision's channels last week, but was unsuccessful. Murdoch and TCI may have had a considerable negotiating advantage, however. TCI recently announced that it had swapped its New York area cable systems with Cablevision for shares equal to 33 percent of the Long Island, N.Y.-based company.

Indeed, TCI, News Corp. and Cablevision have been on various sides of several recent deals. Last month, News Corp. abandoned its partner in a satellite venture that was designed to compete against the cable industry to join TCI in

its satellite venture. That was quickly followed by Murdoch beating out Disney to purchase cable's Family Channel (in which TCI held a 20 percent stake). Earlier this month, TCI bought a share of Cablevision. And yesterday Cablevision chose TCI and Murdoch's offer over Disney.

Analyst Art Rockwell of Yaeger Capital Markets calls the deals "insidious and incestuous."

Gene Kimmelman, co-director of Consumers Union, said yesterday the close dealings among the companies "make a mockery of [Washington's] efforts to impose public control over cable's market dominance and monopoly pricing." Officials of TCI and Cablevision said each of the deals was made on its own merits.





JUNE 30 - JULY 13, 1997



# Nets call rights blitz over NFL

By JOHN DEMPSEY

NEW YORK Pro football could become the bloody battleground of 1997 for the ruthless power struggles of Rupert Murdoch, Ted Turner, Michael Eisner and John Malone.

The conflict will break out this summer when the broadcast committee of the National Football League starts talking to Turner's TNT and Eisner's ESPN about the renewal of rights to share a regular-season schedule of 18 Sunday-night games. Those rights expire after the 1997 season.

Murdoch's hand got stronger during the final week of June, when News Corp. and Malone's



**GRIDIRON GRIDLOCK:** *The NFL can only be jumping for joy at the prospect of all four net bidding up rights fees due to be negotiated by year's end.*

Liberty Media bought a 40% stake in Cablevision System Corp.'s eight regional sport networks for \$850 million.

Fox/Liberty also owns the FX network, which would be Murdoch's first choice for Super Bowl rights.

Turn to next page